



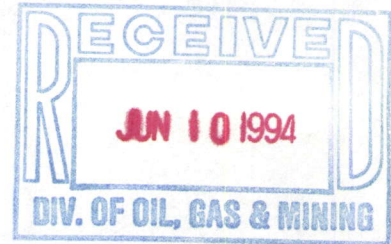
State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF STATE LANDS AND FORESTRY

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Ted Stewart
Executive Director

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June 10, 1994

CERTIFIED MAIL NO. P 051 448 270

David Taylor

Miracle Rock Mining & Research

PO Box 76

Emery, UT 84522

Dear Mr. Taylor:

RE: ML 42844 & ML 42844A-Clay
S/015/040 Emery County

The terms and conditions of the above-numbered lease and the rules of the division require that upon submitting a notice of intent to commence mining the Lessee shall, upon Lessor's request, post a bond with the division. A bond is required primarily to ensure the reclamation of mined land disturbances but shall also be conditioned upon the payment of rentals and royalties which may become due the state.

The division believes that the \$2,000 CD which you presently have on file in-lieu of a surety bond is no longer adequate to cover your mining operations under the above numbered leases. You are hereby requested to immediately submit a surety bond in the amount of \$5,000 using the enclosed surety bond form. The Surety must be registered in Utah. Upon receipt of the surety bond the division will release your \$2,000 CD. Alternatively, you may submit a short term renewable certificate of deposit in the amount of \$3,000 with a Utah banking institution, providing the Utah School and Institutional Trust Lands Administration is listed as a co-owner of the CD.



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Also, the terms and conditions of the lease require that production be reported monthly and that royalty be paid upon the leased substances that are mined and removed from the leasehold not later than the last day of the month following the month in which the production occurred. Division rules require that interest be paid upon delinquent royalty at the average adjusted prime rate plus 4%, compounded annually.

Division records indicate that production reports and royalty payments have not been received for this lease during the past couple of years. I am enclosing the division's production report form for clay. Please immediately report production which has occurred under the lease and submit your royalty payment at the rate specified in the lease agreement, plus any interest payment which may be due the state.

Failure to comply with these requests within the next 30 days may subject the lease to cancellation pursuant to Article XIX of the lease agreement.

Thank you for your cooperation. Please call me if you have any questions.

Sincerely,



JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Wayne Hedberg